

EMPLOYER ADVISORY COMMITTEE

MINUTES

December 5, 2002

DRS Members Present:

Dave Nelsen, Chairperson and Steve Nelsen, Legal/Legislative Services.

Additional DRS Staff Present:

Bob Darling, Public Employees' Retirement System Plan 3 Project; Michelle Hardesty, Employer Support Services; Brian Berghoff, Employer Support Services and Jeralyn Faulhaber, Administrative Services.

Employer Members Present:

Cindy Lee, King County; Joanne Amrine, Chehalis School District; Chandra Winston, Port of Seattle; Debbie Meach and Susan Sparks, Human Resources Information Systems Division (HRISD); Pamm Scott, Bellevue Community College; Sally Spangler, Washington State Patrol; Brigitte Hoopes, City of Kent; Reagan Ulrich, Chelan County PUD 01 and Marcia Moore, Central Kitsap School District.

Employer Members Not Present:

Mary Christle, Educational Service District; Tom Gaines, Washington School Information Processing Cooperative (WSIPC); Michelle Mortimer, City of Olympia; Rachel Brock, University of Washington; John Goetz, Center for Information Services; Liz Hoffman, Department of Social and Health Services and Nancy Savage, Pierce County.

Agenda Items:

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| • Welcomes and Announcements
<i>Dave Nelsen</i> | • EAC Membership Discussion
<i>Dave Nelsen</i> |
| • Legislative Summary
<i>Steve Nelsen</i> | • Open Discussion
<i>Committee</i> |
| • PERS 3 Update
<i>Bob Darling</i> | • 2003 EAC Meeting Calendar |
| • Employer Survey Results
<i>Dave Nelsen</i> | • Agenda Items for Next Meeting
<i>Committee</i> |

WELCOME AND ANNOUNCEMENTS

Dave Nelsen, Chair, began the meeting with the following announcements and introductions:

- Debbie Meach from DOP is retiring. Dave congratulated her on behalf of DRS and thanked her for her time and valuable service to the Employer Advisory Committee. Susan Sparks, also from DOP's HRISD Division, will be replacing Ms. Meach on the Committee.
- Jeralyn Faulhaber was introduced as Dave's assistant and support to the Committee and welcomed her. Jeralyn has been with DRS for many years in different capacities.
- Reorganization activities have occurred within DRS. The following transitions have occurred:
 - Dave Nelsen is now the Assistant Director for Administrative Services
 - Employer Support Services has been rolled into the Administrative Services Division
 - The Employer Information Processing Unit has been merged into the Employer Audit Unit under the direction of Michelle Hardesty
 - Brian Berghoff is now the Employer Relations Manager
 - Any further changes will be communicated to the Committee

LEGISLATIVE SUMMARY

Steve Nelsen, Legal/Legislative Services Manager updated the Committee on topics being considered and approved by the Joint Committee on Pension Policy (JCPP) for the upcoming legislative session.

JCPP Approved Bills

Elected Officials Opt In/Opt Out - This bill would allow members of TRS, SERS, LEOFF or PERS who hold state elective office, at the end of a term of office, to terminate active membership and begin receiving retirement benefits.

\$150,000 Death Benefit - This bill would provide a \$150,000 duty-related death benefit to survivors of PERS, SERS, and TRS plan members who die as a result of injuries sustained in the course of employment. A similar bill was recommended by the JCPP in the 2002 legislative session.

TRS Plan 1 Extended School Year - This bill would adjust the Average Final Compensation for TRS Plan 1 members employed by a district that uses an extended school year. A similar bill was recommended by the JCPP in the 2002 legislative session.

EMTs into LEOFF - This bill would allow emergency medical technicians to transfer service credit from PERS to LEOFF Plan 2. A similar bill was considered by the Legislature in the 2002 legislative session.

Substitute School Employees - This bill would allow a substitute non-certified school employee to apply to DRS for service credit after the end of the school year during which the work was performed. The substitute would be able to obtain service credit by paying the required contributions to the retirement system. The employer would pay the required employer contribution upon notice from DRS that the substitute had made contributions. A similar bill was considered by the Legislature in the 2002 legislative session.

JCPP Bills discussed at the December 4 JCPP Meeting

Age 70 1/2 - This bill would allow members of TRS, SERS, or PERS to terminate active membership and begin receiving their retirement benefits at age 70½ while continuing to work.

Governance – This bill would replace the current JCPP with the Joint Select Committee on Pension Policy composed of elected officials, employer and employee stakeholder representatives and the Directors of DRS and OFM.

Fish & Wildlife Enforcement Officers into LEOFF – This bill would move fish and wildlife enforcement officers from PERS 2 into LEOFF 2 prospectively. Prior service would remain in PERS. PERS 1 members would remain in PERS.

Age 66 COLA – This bill would allow PERS 1 and TRS 1 retirees to qualify for the Uniform COLA in the year that they turn age 66. A similar bill was recommended by the JCPP in the 2001 legislative session.

DRS Request Bills

Plan 3 Member Contribution Rate Flexibility - The bill will provide members of the TRS Plan 3, SERS Plan 3, and PERS Plan 3 with an annual window in which they could change their member contribution rate to any of the rate options set in statute or adopted by the ERBB. The first rate change window would be in January 2004.

Fallen Heroes Survivor Benefits - This bill would provide that pension payments to qualifying beneficiaries of public safety officers who died in the line of duty would not be subject to federal income tax. “Public Safety Officer” is defined as an individual serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, as a firefighter, or as a member of a rescue squad or ambulance crew.

Pursuant to Section 101(h) of the Internal Revenue Code, any amount paid as a survivor annuity (not a lump sum) after January 1, 2002 on account of the duty-related death of a public safety officer is not subject to income tax. In order to qualify for this favorable tax treatment, the benefit must be paid from a qualified 401(a) government plan to the surviving spouse (or a former spouse) of the public safety officer or to a child of such officer; and to the extent such annuity is attributable to such officer's service as a public safety officer.

The favorable tax treatment does not apply to the death of any public safety officer if:

- ◆ The death was caused by the intentional misconduct of the officer or by such officer's intention to bring about such officer's death;
- ◆ The officer was voluntarily intoxicated at the time of death;
- ◆ The officer was performing such officer's duties in a grossly negligent manner at the time of death; or
- ◆ The payment is to an individual whose actions were a substantial contributing factor to the death of the officer.

Technical Corrections - The bill makes necessary technical corrections to retirement statutes including incorrect cross-references, inadvertent omissions of necessary references, and accidental duplication of statutory language.

Most of the bills are from the last legislative session with some slight changes to them. All of the DRS request bills have been adopted and approved by the JCPP.

Questions regarding legislation can be directed to Steve Nelsen at 360-664-7308 or accessed on the DRS Legislative Web site for the most up-to-date information at www.wa.gov/drs/leg/index.htm.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLAN 3 UPDATE

Bob Darling, PERS Plan 3 Project Manager was introduced and updated the Committee on activities surrounding the PERS Plan 3 project. The following are highlights of those activities:

Overall project status

- ◆ The team continues to monitor and support Phase 2 members and employers
- ◆ They are preparing for the January transfer window for Phase 1 PERS 2 members who did not transfer during their window and for all SERS and TRS members that originally decided not to transfer to Plan 3.

Communications

An *Employer Update* will be mailed to Phase 2 employers this week. Articles highlighted in the *Employer Update* publication include:

- ◆ Information on the *Phase 2 PERS 3 Transfer Decision News* publication - will be sent to members' homes this week
- ◆ Information on ePay
- ◆ Member Address Updates – reminding employers that all active member address changes should be reported to DRS
- ◆ Seminars for Members – what's available and how to get registered
- ◆ Purchasing of Service Credit – who and how it might help
- ◆ Who is eligible for the January transfer window?
- ◆ Reference and resource materials

The *Phase 2 PERS Plan 3 Transfer Decision News* will also be mailed next week to members' homes. Articles highlighted in this publication include:

- ◆ Resources available to help members make the decision to transfer or not
- ◆ PERS 3 transfer payment timeline and information n
- ◆ Health insurance coverage
- ◆ Steps in the transfer process
- ◆ Resources and reference material list
- ◆ New website available for members interested in transferring during the January transfer window
- ◆ Updated financial modeling software resource

EMPLOYER SURVEY RESULTS

Dave discussed the preliminary results of the Employer Survey sent to select employers in mid October. DRS received approximately 3,400 responses so far, which is an adequate amount to get an accurate reflection of the results. It appears that satisfaction ratings by employers have increased in all areas when compared to results from the previous years' surveys. DRS was very

pleased to see high ratings on the satisfaction with electronic services and their overall effectiveness with making retirement administration for employers easier.

Some of the improvements being considered, based on comments from employers are, placing the Employer Handbook on CD, expansion of DRS Internet training sites and DRS auditors potentially assisting with employer training, on a more customized level, specific to the employer's individual needs.

DRS staff will be contacting all employers who provided comments on the survey that asked for assistance and gave contact information.

EMPLOYER ADVISORY COMMITTEE (EAC) MEMBERSHIP DISCUSSION

Dave Nelsen discussed the roles and responsibilities of EAC membership. He also asked if any members had issues around other employer representatives attending and sitting in on EAC meetings, not as members, but to gather information to spread to their organizations. There were no concerns noted, should DRS decide to open the meeting to others in the employer communities. It was suggested that only appointed members have voting rights, should there be a need for voting in the future. Dave will follow up on this subject at a future meeting.

2003 EMPLOYER ADVISORY COMMITTEE MEETING SCHEDULE

EAC meetings for the year 2003 were confirmed and are as follows:

- Thursday, March 27, 2003
- Thursday, June 26, 2003
- Thursday September 25, 2003
- Thursday, December 4, 2003

OPEN DISCUSSION

The following were issues or concerns that were raised during the meeting:

Annual Statement Update

- There have been some proposed changes to the format, layout and information provided
- Thanks to employers for their feedback that facilitated some of the changes
- Various delivery options of the statements are being considered – DRS will get information to employers as soon as it is available

ePay

- It is up and ready to go!
- Dave Nelsen strongly encouraged employers to sign up for ePay if they hadn't already – it takes approximately two weeks from the time an account is set up to begin usage
- DCP will soon be participating in ePay as well

WBET

- Feedback from employers is that at times, WBET can be very slow – Dave asked employers experiencing this to note the times when the application is slow and report findings back to Employer Support Services. This will assist the Department in the assessment of why this happens. It was suggested that when many users were using the application at one time, it may slow down the system.

The Next Meeting

The next EAC meeting is scheduled for March 27, 2003, from 9:30 a.m. to 12 p.m., at the DRS Point Plaza West building, located at 6835 Capitol Boulevard in Tumwater. Please see the map to DRS on the EAC Web site for directions to the facility.

Proposed Agenda Items for the March 27, 2003

No agenda items were noted for consideration.

A confirmed agenda will be available on the Employer Advisory Committee Web site in early March 2003.

Parking for the meetings

There are visitors' parking spaces located in front of the building. You may also park in any stall that is not marked for another agency such as DSHS or OFM.

Questions

If you have any questions, please contact Dave Nelsen at (360) 664-7304, 1-800-547-6657 ext. 47304 or by e-mail at daven@drs.wa.gov.